

## GREATER CHINA TECHNOLOGY

## AI capex upcycle to drive ODM growth ahead; FII TP up to Rmb107.2; Inspur down to Sell on stretched valuation

Rising AI investments across US and China Cloud continue to drive AI servers ODM growth: GSe expectations are for US CSPs' total capex to grow at +76% / +35% YoY in 2026E / 2027E and China CSPs' total capex to grow at +80% / +20% YoY in 2026E / 2027E (see [GS Server TAM updates](#)). Among AI servers ODMs, we remain positive on Buy rated Hon Hai (on CL) / FII in US Cloud, given their strong R&D, comprehensive offerings (GPU module, baseboard, AI servers, CPU servers, CPO switch, liquid cooling, etc.), and global production sites which we see continuing to drive market shares gain under the fast technology migration trend. For China Cloud, we remain positive on Huaqin (Buy, see [H-share initiation](#)) given its business expansion from smartphone / PC ODM toward AI servers, with total solution across servers and switch to better ride on the growing Supernodes trend in China. With this, we further raise our 12M target price for FII by 14% to Rmb107.2 on the back of rising US Cloud AI capex and FII's market share expansion. Meanwhile, we turn more cautious on Inspur on its ongoing downward trend in China AI servers market share (albeit from a high base) and stretched valuation (12M fwd P/E above its 5-year avg P/E) and downgrade the shares to Sell (from Neutral). We could turn more positive on Inspur if the AI servers business grows faster than expected, which could be reached via stronger-than-expected China CSP AI capex, healthier-than-expected competition, or faster-than-expected AI server models roll-out for Inspur powered by various local AI chips or expanding to switch / networking market.

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### FII (601138.SS): AI server racks in expansion; Fast technology migration secures leader position; TP up to Rmb107.2; Buy

Strong AI investments, fast technology migration and rising raw material costs allowing FII to ride on the upcycle with further market share gain driven by:

- **Global leading CSPs' total capex** increased +74% YoY in 2025, and GS expects the capex to further grow +76% YoY in 2026E ([GS Server TAM updates](#)), and continue to increase through 2028E. FII is a major AI server racks supplier to global leading CSPs, riding on the strong AI investments.
- **AI investments expands** to networking and CPU servers, which FII also offers. FII serves global leading switch brands and is also the major supplier to CPO switch,

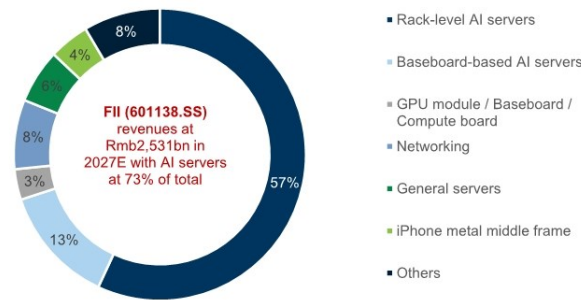
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aiming to entering mass production in 3Q26. Global leading CPU suppliers also launch new platforms to empower CPU servers better facilitate Agentic AI workloads in data centers, supporting FII's growth ahead.

- **Fast technology migration and rising raw material costs further lift entry barriers**, to which we expect FII to continue to gain market share under the challenging environment. FII's large scale is securing its bargaining power over supply chain and its strong R&D and execution is shortening the production cycle: FII's cash conversion cycle improved from 71 days in 2023 to 39 days in 2025, and the company's operating cash flow was up to Rmb25bn in 1Q26 (vs. Rmb5bn in 2025).

Reflecting our latest capex forecasts and market share gain expectations, we raise our 2026E-28E estimates (4-9%) for FII and further raise our 12M TP to Rmb107.2 (23x 2027E P/E) from Rmb93.9; we expect its net income to grow at a +41% CAGR in 2026E-28E. Maintain Buy.

**Exhibit 1: FII revenues mix by products in 2027E**



Source: Goldman Sachs Global Investment Research

**Earnings revision:** We raise our net income by 4% / 7% / 9% in 2026E-28E mainly on higher revenues and GM. In 2026, despite no change in our forecasts for FII's AI server rack shipments, we raise our general servers revenues growth expectation to reflect CSP clients' growing spending on CPU servers under rising Agentic AI workloads, along with rising memory costs. We also assume a greater mix of AI servers (8-GPU) in the consignment business model considering that overall AI servers are carrying higher and higher raw material costs, and we think FII's large scale enhances its bargaining power with customers, allowing the sharing of the heavy costs. As a result, our revenues in 2026E are largely unchanged while GM is higher. In 2027E-28E, net income rise mainly on higher revenues, where we expect FII to enjoy strong AI server racks shipment, riding on leading US CSPs strong AI capex and FII's continuous market share gain under the fast technology migration.

**Exhibit 2: Earnings revision**

Rmb m	2026E			2027E			2028E		
	OLD	NEW	CHG	OLD	NEW	CHG	OLD	NEW	CHG
Revenues	1,579,802	1,575,387	0%	2,358,894	2,530,626	7%	3,365,619	3,852,807	14%
GP	91,480	102,601	12%	136,021	147,947	9%	184,214	201,366	9%
OP	71,714	77,058	7%	101,372	110,295	9%	136,195	148,932	9%
Net income	60,662	63,044	4%	86,264	92,516	7%	115,615	125,741	9%
<b>Margins</b>									
GM	5.8%	6.5%		5.8%	5.8%		5.5%	5.2%	
OPM	4.5%	4.9%		4.3%	4.4%		4.0%	3.9%	
NM	3.8%	4.0%		3.7%	3.7%		3.4%	3.3%	

Source: Company data, Goldman Sachs Global Investment Research

Compared to the Bloomberg consensus, our net income is 2% / 12% higher in 2026E / 2027E mainly on higher revenues, reflecting our positive view on FII's leading market position in AI server racks, along with the fast technology migration lifting entry barriers, and FII's strong R&D, US production, and total solution (GPU / ASIC / CPU servers, 800G / 1.6T / CPO switch) supporting further market share gain.

**Exhibit 3: GS vs. Bloomberg consensus**

RMB m	2026E			2027E		
	GS	BB	Diff %	GS	BB	Diff %
Revenues	1,575,387	1,485,000	6%	2,530,626	1,961,000	29%
GP	102,601	102,703	0%	147,947	134,740	10%
OP	77,058	71,922	7%	110,295	96,044	15%
Net income	63,044	61,664	2%	92,516	82,374	12%
<b>Margins</b>						
GM	6.5%	6.9%		5.8%	6.9%	
OPM	4.9%	4.8%		4.4%	4.9%	
NM	4.0%	4.2%		3.7%	4.2%	

Source: Goldman Sachs Global Investment Research, Bloomberg

**Exhibit 4: FII P&L**

Rmb m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2024	2025	2026E	2027E	2028E
Revenues	160,415	200,345	243,172	298,956	251,078	371,925	441,098	511,285	609,135	902,887	1,575,387	2,530,626	3,852,807
GP	10,803	13,022	17,020	22,140	18,456	23,313	27,890	32,943	44,321	62,986	102,601	147,947	201,366
OP income	6,579	8,404	12,763	16,256	13,978	17,840	21,372	23,868	26,836	44,001	77,058	110,295	148,932
Net income	5,231	6,883	10,373	12,799	10,595	14,795	17,832	19,821	23,216	35,286	63,044	92,516	125,741
EPS (diluted, Rmb)	0.26	0.35	0.52	0.65	0.53	0.75	0.90	1.00	1.17	1.78	3.18	4.66	6.34
<b>YoY</b>													
Revenues	35%	36%	43%	73%	57%	86%	81%	71%	28%	48%	74%	61%	52%
GP	19%	47%	43%	52%	71%	79%	64%	49%	15%	42%	63%	44%	36%
OP income	26%	73%	57%	88%	112%	112%	67%	47%	22%	64%	75%	43%	35%
Net income	25%	51%	62%	58%	103%	115%	72%	55%	10%	52%	79%	47%	36%
EPS (diluted, Rmb)	25%	51%	62%	59%	103%	115%	72%	55%	10%	52%	79%	47%	36%
<b>QoQ</b>													
Revenues	-7%	25%	21%	23%	-16%	48%	19%	16%					
GP	-26%	21%	31%	30%	-17%	26%	20%	18%					
OP income	-24%	28%	52%	27%	-14%	28%	20%	12%					
Net income	-35%	32%	51%	23%	-17%	40%	21%	11%					
EPS (diluted, Rmb)	-35%	32%	51%	24%	-17%	40%	21%	11%					
<b>Margins</b>													
GM	6.7%	6.5%	7.0%	7.4%	7.4%	6.3%	6.3%	6.4%	7.3%	7.0%	6.5%	5.8%	5.2%
OPM	4.1%	4.2%	5.2%	5.4%	5.6%	4.8%	4.8%	4.7%	4.4%	4.9%	4.9%	4.4%	3.9%
NM	3.3%	3.4%	4.3%	4.3%	4.2%	4.0%	4.0%	3.9%	3.8%	3.9%	4.0%	3.7%	3.3%
<b>Ratio</b>													
SG&A ratio	1.2%	0.8%	0.7%	0.7%	0.8%	0.4%	0.4%	0.4%	1.0%	0.8%	0.5%	0.4%	0.3%
R&D ratio	1.4%	1.4%	1.0%	1.2%	0.9%	1.0%	1.1%	1.3%	1.7%	1.2%	1.1%	1.0%	1.0%
Opex ratio	2.6%	2.3%	1.8%	2.0%	1.8%	1.5%	1.5%	1.8%	2.9%	2.1%	1.6%	1.5%	1.4%
Tax rate	10.8%	15.4%	15.0%	13.5%	14.0%	14.0%	14.0%	14.0%	10.5%	13.9%	14.0%	14.0%	14.0%

Source: Company data, Goldman Sachs Global Investment Research

**Valuation:** We continue to use a near-term P/E to derive our 12M target price and continue to derive the target P/E multiple from a peers' regression of P/E and forward year fundamentals (NI YoY and OPM). On this basis we update our target P/E multiple to 23x (vs. 21.6x previously), reflecting the stronger forward year fundamentals. Our updated target P/E multiple remains higher than FII's +1stv. avg, reflecting our positive view on the ongoing AI infrastructure investments and FII's market share gain along with specification upgrade across servers and switch. We expect FII's net income growth to accelerate at a +53% CAGR in 2025-28E (vs. +5% CAGR in 2021-24A), supporting a re-rating. Our new 12M TP of Rmb107.2 implies 45% upside. Maintain Buy.

**Exhibit 5: FII peers comparison**

Company	FII	Gigabyte	Wiwynn	Wistron	Quanta
Ticker	601138.SS	2376.TW	6669.TW	3231.TW	2382.TW
Rating	Buy	Neutral	Buy	Buy	Neutral
2027E trading PE	16.8	10.8	10.9	8.0	13.6
2028E NI YoY	36%	15%	14%	19%	13%
2028E OPM	4%	5%	6%	4%	3%
PEG&M	0.4	0.5	0.5	0.3	0.8

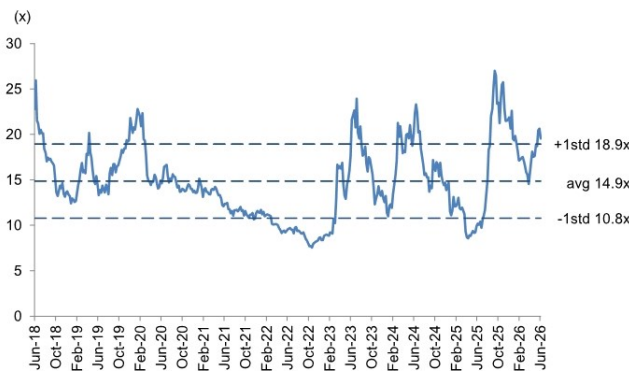
  

Company	Compal	BYDE	Inventec	UNIS	Ruijie
Ticker	2324.TW	285.HK	2356.TW	000938.SZ	301165.SZ
Rating	Neutral	Neutral	Neutral	Neutral	Buy
2027E trading PE	12.9	6.8	16.5	22.6	42.3
2028E NI YoY	11%	19%	10%	6%	27%
2028E OPM	2%	4%	2%	3%	9%
PEG&M	1.0	0.3	1.3	2.7	1.2
Peers' avg. (excl. outlier)					<b>0.6</b>

Outliers are in grey.

Source: Goldman Sachs Global Investment Research

**Exhibit 6: FII 12M forward P/E ratio**



Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

**Price Target Risks and Methodology - Foxconn Industrial Internet**

Our 12M target price of Rmb107.2 is based on a 23x 2027E P/E. Our target P/E is set in line with peers’ regression of P/E and forward year fundamentals (NI YoY and OPM).

**Key downside risks:** (1) Worse-than-expected demand and profit from the AI server business; (2) Worse-than-expected iPhone component business expansion due to strong competition; (3) Slower-than-expected capacity ramp-up in new factories; (4) Lower-than-expected iPhone shipment given FII provides components for iPhone.

## Inspur (000977.SZ): China CSP AI Capex to drive growth but downgrade to Sell on contracting M/S and stretched valuation

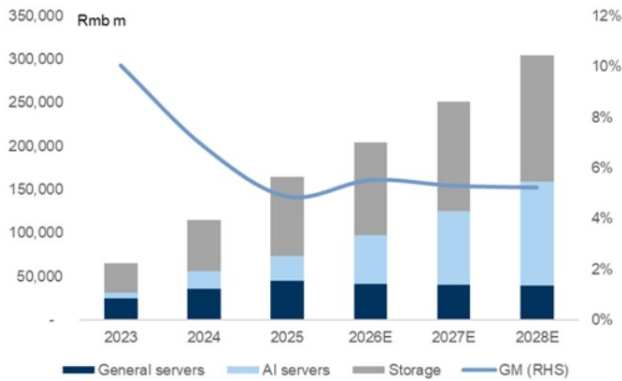
000977.SZ	12m Price Target: Rmb62.5	Price: Rmb64	Downside: 2.3%		
<b>Sell</b>	<b>GS Forecast</b>				
		<b>12/25</b>	<b>12/26E</b>	<b>12/27E</b>	<b>12/28E</b>
Market cap: Rmb94.0bn / \$13.9bn	<b>Revenue (Rmb mn) New</b>	<b>164,782.0</b>	<b>204,163.8</b>	<b>250,893.0</b>	<b>304,858.9</b>
Enterprise value: Rmb93.7bn / \$13.8bn	Revenue (Rmb mn) Old	164,782.0	204,163.8	250,893.0	304,858.9
3m ADTV :Rmb4.9bn/ \$724.8mn	EBITDA (Rmb mn)	2,641.4	4,676.1	5,244.8	6,519.2
China	<b>EPS (Rmb) New</b>	<b>1.64</b>	<b>2.45</b>	<b>2.96</b>	<b>3.84</b>
Greater China Technology	EPS (Rmb) Old	1.64	2.45	3.21	4.52
	P/E (X)	35.0	26.2	21.6	16.6
M&A Rank: 3	P/B (X)	3.8	3.8	3.3	2.9
Leases incl. in net debt & EV?: Yes	Dividend yield (%)	0.7	0.9	1.1	1.5
	CROCI (%)	50.0	17.9	18.0	19.9
		<b>3/26</b>	<b>6/26E</b>	<b>9/26E</b>	<b>12/26E</b>
	EPS (Rmb)	0.41	0.70	0.73	0.61

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 23 Jun 2026 close.

Inspur has delivered strong revenue growth, +58% CAGR in 2023-25A, riding on China CSP AI Capex and AI servers powered by global-tier GPUs, however, the growth rate has started to slowdown post 2.5 years of strong growth, and geopolitical tension driving CSP clients from AI servers powered by global-tier GPUs to local AI chips, leading to model transition impacting the supply chain. While we continue to expect Inspur's revenues to grow at a +22% CAGR in 2026E-28E, riding on the ongoing China CSP AI capex upcycle, we downgrade the shares to Sell (from Neutral) on its ongoing downward trend in China AI servers market share (albeit from a high base) and stretched valuation (above 5-year avg P/E). We could see further upside to our estimates if China CSP AI capex is stronger than expected, competition in AI servers in China is healthier than expected, or on faster-than-expected AI server models development for Inspur across various local AI chips or business expansion toward switch / networking.

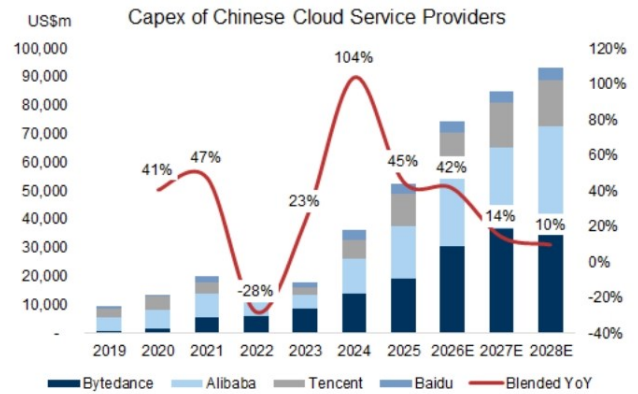
We keep our 2026E estimates largely unchanged, but reduce 2027E / 2028E net income by 8% / 15% mainly on lower GM and higher R&D investments, considering the company's growing revenues exposure to CSP clients and rising R&D to develop AI servers across various local AI chips. Despite these cuts, our net income growth estimates remain strong, +25% CAGR in 2026E-28E (vs. +5% NI YoY in 2025A). Our new target P/E multiple is 21.1x (vs. 23.8x previously) with the ratio of target P/E multiple to forward year NI YoY largely the same at 0.8x (vs. 0.7x previously). All said, our 12M TP moves to Rmb62.5 (vs. Rmb76.5 previously), implying 2% downside versus our Greater China Technology coverage Buy / Neutral rated names at avg. upside of 49% / 10%. We are Sell rated.

**Exhibit 7: Inspur revenues by product and GM trend**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 8: Leading China CSPs' capex +42% / +14% / 10% YoY in 2026E-28E**



Source: Company data, Goldman Sachs Global Investment Research

**Earnings revision:** We cut our 2027E-28E net incomes by 8% / 15%, mainly on lower GMs and higher opex ratios. Our 2027E-28E GMs are revised down by 0.1 / 0.2ppts to reflect the rising competition in AI server ODM market and the rising contribution from local CSP clients weighing on Inspur's margin. AI servers to CSP clients are direct sales and ODM business model, carrying a relatively lower GM compared to its brand business through channel for enterprise. Our 2027E-28E opex ratios are slightly revised up, mainly on higher R&D expense to support Inspur's AI servers development across various local AI chips platforms. Our 2026E-28E revenues are unchanged.

**Exhibit 9: Earnings revision**

Rmb mn	2026E			2027E			2028E		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
Revenue	204,164	204,164	0%	250,893	250,893	0%	304,859	304,859	0%
GP	11,290	11,290	0%	13,554	13,313	-2%	16,535	15,966	-3%
OP	3,841	3,841	0%	4,791	4,400	-8%	6,803	5,727	-16%
Net income	3,593	3,593	0%	4,719	4,348	-8%	6,632	5,645	-15%
<b>Margins</b>									
GM	5.5%	5.5%		5.4%	5.3%		5.4%	5.2%	
OPM	1.9%	1.9%		1.9%	1.8%		2.2%	1.9%	
NM	1.8%	1.8%		1.9%	1.7%		2.2%	1.9%	

Source: Company data, Goldman Sachs Global Investment Research

**GS vs. Bloomberg consensus:** Our 2026E estimates are largely in line with the Bloomberg consensus. Our 2027E OP income is 10% below the Bloomberg consensus, mainly on lower GM and higher opex ratio, reflecting our concerns on growing competition and CSP revenues exposure, along with more R&D to develop AI servers across various local AI chips.

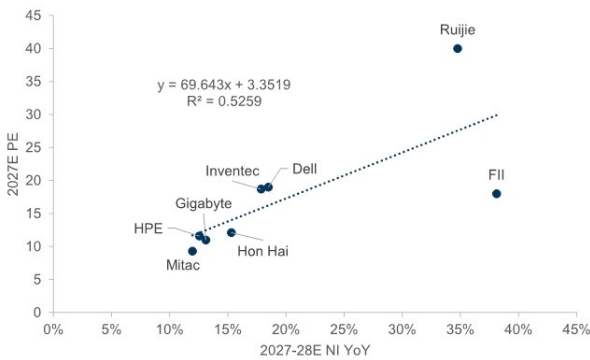
**Exhibit 10: GS vs. Bloomberg consensus**

Rmb mn	2026E			2027E		
	GS	BBG	Diff %	GS	BBG	Diff %
Revenue	204,164	197,789	3%	250,893	244,552	3%
GP	11,290	11,084	2%	13,313	14,172	-6%
OP	3,841	3,752	2%	4,400	4,868	-10%
Net income	3,593	3,525	2%	4,348	4,775	-9%
<b>Margins</b>						
GM	5.5%	5.6%		5.3%	5.7%	
OPM	1.9%	1.9%		1.8%	2.0%	
NM	1.8%	1.8%		1.7%	2.0%	

Source: Goldman Sachs Global Investment Research, Bloomberg

**Valuation:** We continue to use near-term P/E to derive our 12M TP and our target P/E is updated to 21.1x 2027E EPS (vs. 23.8x previously) on lower forward year earnings growth, which is still derived from peers' correlation between trading P/E and forward year NI YoY. Our peer group includes global and China AI infrastructure (e.g. AI server, general server, storage, etc.) suppliers. Our new target P/E multiple is at 21.1x with the ratio of target P/E multiple to forward year NI YoY largely the same at 0.8x (vs. 0.7x previously). Our new TP of Rmb62.5 (vs. Rmb76.5 previously), implies less upside (-2% downside) versus our Greater China Technology coverage for Buy / Neutral rated names at avg. upside at 49% / 10%. We downgrade Inspur from Neutral to Sell.

**Exhibit 11: Inspur peers 2027E PE vs 2027-28E NI YoY**



Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 12: Inspur 12M forward P/E ratio**



Source: Company data, Goldman Sachs Global Investment Research

**Cross check:** Our TP implied P/E of 21.1x is between Inspur's avg. and avg. -1st. in the past five years, reflecting our concerns on Inspur's margins ahead under growing competition and rising revenues exposure to CSP clients. Our new TP implied PEG is at 0.8x, which is within the peers' range from 0.5x to 1.2x.

**Exhibit 13: Inspur and peers' PEG**

Company	Inspur	Company	Gigabyte	Hon Hai	HPE	Inventec	FII	Mitac	Ruijie	Dell
Ticker	000977.SZ	Ticker	2376.TW	2317.TW	HPE	2356.TW	601138.SS	3706.TW	301165.SZ	DELL
Rating	Sell	Rating	Neutral	Buy (CL)	Buy	Neutral	Buy	Buy	Buy	Buy
2027E TP implied P/E	21.1	2027E trading P/E	11.0	12.1	11.6	18.7	18.0	9.3	19.0	40.0
2027-28E avg. NI YoY	25%	2027-28E avg. NI YoY	13%	15%	13%	18%	38%	12%	18%	35%
PEG	0.8	PEG	0.8	0.8	0.9	1.0	0.5	0.8	1.0	1.2
		Avg.								0.9

Source: Company data, Goldman Sachs Global Investment Research

## Exhibit 14: Inspur's P&amp;L summary

Rmb m	1Q25	2Q25	3Q25	4Q25	1Q26	2Q26E	3Q26E	4Q26E	2023	2024	2025	2026E	2027E	2028E
<b>Income statement</b>														
Revenues	46,858	33,334	40,477	44,113	35,470	45,779	59,415	63,499	65,867	114,767	164,782	204,164	250,893	304,859
GP	1,616	2,030	2,273	2,128	2,355	2,793	3,134	3,008	6,612	7,859	8,047	11,290	13,313	15,966
OP	495	582	676	66	949	1,051	1,041	800	1,167	1,949	1,819	3,841	4,400	5,727
Net income	463	336	683	931	605	1,021	1,066	901	1,783	2,292	2,413	3,593	4,348	5,645
EPS (Rmb)	0.32	0.23	0.46	0.64	0.41	0.70	0.73	0.61	1.21	1.56	1.64	2.45	2.96	3.84
<b>Margins</b>														
GM	3.4%	6.1%	5.6%	4.8%	6.6%	6.1%	5.3%	4.7%	10.0%	6.8%	4.9%	5.5%	5.3%	5.2%
OPM	1.1%	1.7%	1.7%	0.2%	2.7%	2.3%	1.8%	1.3%	1.8%	1.7%	1.1%	1.9%	1.8%	1.9%
NM	1.0%	1.0%	1.7%	2.1%	1.7%	2.2%	1.8%	1.4%	2.7%	2.0%	1.5%	1.8%	1.7%	1.9%
<b>Ratios</b>														
Opex ratio	2.4%	4.3%	3.9%	4.7%	4.0%	3.8%	3.5%	3.5%	8.3%	5.1%	3.8%	3.6%	3.6%	3.4%
R&D ratio	1.4%	2.5%	2.4%	3.0%	2.4%	2.3%	2.1%	2.1%	4.7%	3.1%	2.3%	2.2%	2.3%	2.2%
Tax rate	17.5%	7.3%	10.5%	6.0%	4.9%	1.7%	3.1%	2.4%	1.7%	3.1%	2.4%	4.8%	5.0%	5.0%
<b>YoY</b>														
Revenues	166%	36%	-1%	39%	-24%	37%	47%	44%	-5%	74%	44%	24%	23%	22%
GP	14%	11%	-2%	-7%	46%	38%	38%	41%	-15%	19%	2%	40%	18%	20%
OP	34%	25%	-14%	-80%	92%	81%	54%	1104%	-48%	67%	-7%	111%	15%	30%
Pretax income	57%	24%	-3%	-11%	39%	202%	61%	-3%	-16%	29%	4%	53%	21%	30%
Net income	51%	16%	-2%	-7%	31%	204%	56%	-3%	-15%	29%	5%	49%	21%	30%
<b>QoQ</b>														
Revenues	48%	-29%	21%	9%	-20%	29%	30%	7%						
GP	-30%	26%	12%	-6%	11%	19%	12%	-4%						
OP	51%	18%	16%	-90%	1329%	11%	-1%	-23%						
Net income	-54%	-27%	103%	36%	-35%	69%	4%	-16%						

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 15: Inspur's balance sheet**

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E
<b>Balance Sheet</b>							
Cash and equivalents	9,037	12,013	7,413	10,325	18,141	19,413	20,833
Accounts receivable	11,174	9,619	11,643	13,051	18,273	18,845	21,246
Inventory	15,025	19,115	40,679	46,508	48,608	60,744	65,894
Other current assets	2,435	3,672	7,019	9,349	9,349	9,349	9,349
<b>Current assets</b>	<b>37,672</b>	<b>44,419</b>	<b>66,754</b>	<b>79,232</b>	<b>94,371</b>	<b>108,350</b>	<b>117,323</b>
Net PP&E/Fixed assets	1,226	2,045	2,867	2,585	1,984	1,370	751
Net intangibles	386	337	396	320	209	98	46
Other long-term assets	1,873	1,319	1,210	1,657	1,657	1,657	1,657
<b>Non-current assets</b>	<b>3,485</b>	<b>3,701</b>	<b>4,473</b>	<b>4,562</b>	<b>3,849</b>	<b>3,125</b>	<b>2,454</b>
<b>Total assets</b>	<b>41,157</b>	<b>48,120</b>	<b>71,227</b>	<b>83,794</b>	<b>98,220</b>	<b>111,475</b>	<b>119,776</b>
Accounts payable	9,343	9,148	23,039	24,376	26,352	36,134	39,849
Short-term debt	6,465	6,697	2,847	4,009	13,454	13,454	13,454
Other current liabilities	2,908	5,419	18,706	26,691	26,978	27,162	27,478
<b>Current liabilities</b>	<b>18,717</b>	<b>21,263</b>	<b>44,592</b>	<b>55,077</b>	<b>66,785</b>	<b>76,751</b>	<b>80,781</b>
Long-term debt	4,222	8,126	4,317	4,418	4,418	4,418	4,418
Other long-term liabilities	556	445	2,013	2,208	2,208	2,208	2,208
<b>Non-current liabilities</b>	<b>4,778</b>	<b>8,572</b>	<b>6,331</b>	<b>6,626</b>	<b>6,626</b>	<b>6,626</b>	<b>6,626</b>
<b>Total liabilities</b>	<b>23,494</b>	<b>29,835</b>	<b>50,923</b>	<b>61,702</b>	<b>73,411</b>	<b>83,376</b>	<b>87,406</b>
Common stock	1,464	1,472	1,472	1,468	1,468	1,468	1,468
Retained earnings	8,041	9,554	7,763	7,382	10,100	13,389	17,660
Other common equity	7,804	6,920	10,736	12,910	12,910	12,910	12,910
<b>Total common equity</b>	<b>17,309</b>	<b>17,947</b>	<b>19,971</b>	<b>21,760</b>	<b>24,478</b>	<b>27,768</b>	<b>32,039</b>
Minority interest	354	338	333	331	331	331	331
<b>Total equity</b>	<b>17,663</b>	<b>18,285</b>	<b>20,304</b>	<b>22,092</b>	<b>24,810</b>	<b>28,099</b>	<b>32,370</b>
BVPS	11.86	12.20	13.57	14.82	16.67	18.91	21.82
<b>Cash conversion cycle</b>							
Account receivable days	61	58	34	27	28	27	24
Inventory days	110	105	102	102	90	84	80
Net payable days	80	57	55	55	48	48	48
Cash conversion cycle	91	106	81	74	70	63	56
<b>Ratios</b>							
Net debt to total equity	9%	15%	-1%	-9%	-1%	-5%	-9%
Net cash per share (Rmb)	(1.13)	(1.91)	0.17	1.29	0.18	1.05	2.02
Total liabilities to total assets	57%	62%	71%	74%	75%	75%	73%
<b>Dupont analysis</b>							
Asset turnover	1.6	1.5	1.9	2.1	2.2	2.4	2.6
Leverage (assets to equity)	2.7	2.5	3.1	3.7	3.9	4.0	3.9
Net margin	3%	3%	2%	1%	2%	2%	2%
ROE (total equity)	13%	10%	12%	11%	15%	16%	19%
ROE (common equity)	13%	10%	12%	12%	16%	17%	19%
ROA	5%	4%	4%	3%	4%	4%	5%
CROCI (EDBITA/total equity)	15%	8%	12%	12%	19%	19%	20%

Source: Company data, Goldman Sachs Global Investment Research

**Exhibit 16: Inspur's cash flow statement**

Rmb m	2022	2023	2024	2025	2026E	2027E	2028E
<b>Cash flow statement</b>							
Net income	2,086	1,783	2,292	2,413	3,593	4,348	5,645
Minority interest add-back	(25)	13	(2)	(4)	0	-	-
Depreciation and amortization add-back	345	317	458	823	835	845	792
(Increase)/decrease in working capital	(238)	(2,730)	(9,697)	(5,900)	(5,347)	(2,926)	(3,837)
Other operating cash flow items	(355)	1,138	7,024	8,121	-	-	-
<b>Cash flow from operating</b>	<b>1,813</b>	<b>520</b>	<b>75</b>	<b>5,453</b>	<b>(919)</b>	<b>2,267</b>	<b>2,600</b>
Capital expenditure	(1,134)	(307)	(248)	(225)	(122)	(120)	(120)
Other investment cash flow items	402	(278)	(36)	20	-	-	-
<b>Cash flow from investing</b>	<b>(732)</b>	<b>(585)</b>	<b>(284)</b>	<b>(205)</b>	<b>(122)</b>	<b>(120)</b>	<b>(120)</b>
Dividends paid	(786)	(702)	(599)	(647)	(587)	(875)	(1,058)
Change in common stock	10	8	-	(4)	-	-	-
Increase/(decrease) in short-term debt	181	231	(3,850)	1,163	9,445	-	-
Increase/(decrease) in long-term debt	2,711	3,905	(3,809)	100	-	-	-
Other financing cash flow items	(1,587)	(503)	4,337	(1,992)	-	-	-
<b>Cash flow from financing</b>	<b>529</b>	<b>2,940</b>	<b>(3,921)</b>	<b>(1,380)</b>	<b>8,857</b>	<b>(875)</b>	<b>(1,058)</b>
Net change in cash	1,760	2,976	(4,600)	2,912	7,816	1,272	1,421
FCF	680	213	(173)	5,228	(1,041)	2,146	2,479
<b>Ratio</b>							
Capex to revenue	2%	0%	0%	0%	0%	0%	0%

Source: Company data, Goldman Sachs Global Investment Research

**Upside risks:**

**1. Stronger-than-expected generative AI demand in China**, which could affect China Cloud procurement on AI servers, could result in upside vs. our estimates on Inspur's AI servers revenues. Demand can be affected by general economic conditions, the effectiveness of generative AI applications, or China Cloud's ROIC on generative AI.

**2. Faster-than-expected AI servers transition** from global-tier GPU to local AI chips, could result in upside vs. our estimates on Inspur's AI servers revenues and GM. The transition could be affected by Inspur's R&D capability, changes in geopolitics, or changes of demand on generative AI in China (e.g. training, inferencing, different use case).

**3. Healthier-than-expected competition in AI servers in China**, could result in upside vs. estimates on Inspur's AI servers shipment, market share, ASP, and GM. The competition dynamics could be affected by new entrance, Inspur's R&D capability, or competition dynamics across different AI chips platforms.

**Price Target Risks and Methodology - Inspur**

**Valuation:** We derive our 12-m TP of Rmb62.5 on a target P/E multiple of 21.1x our 2027E EPS. Our target P/E of 21.1x is derived from the correlation between P/E and net income growth of its peers, based on the company's 2027E-28E net income YoY growth. We are Sell rated on Inspur. **Upside risks:** Stronger-than-expected generative AI demand in China; Faster-than-expected AI servers transition from global-tier GPU to local AI chips; Healthier-than-expected competition in AI servers in China.

**Investment Thesis - Inspur**

Inspur is a local leader of AI servers in China, in terms of shipment and revenue scale, offering AI training & inferencing servers, HPC, and general servers for major Chinese CSPs, governments and enterprise clients. While we are positive on Inspur's leading market position in AI servers in China and growing China Cloud spending on AI infrastructure, we see the high base in market share, rising competition, and AI servers model transition from global-tier GPU to local AI chips weighing on the company's growth in coming years (post the strong growth in 2024-25). In light of this, we also see valuation as stretched with 12M fwd P/E above its 5-year average. We are Sell rated on Inspur.

## Disclosure Appendix

### Reg AC

We, Allen Chang, Verena Jeng and Yifan Hu, hereby certify that all of the views expressed in this report accurately reflect our personal views about the subject company or companies and its or their securities. We also certify that no part of our compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

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BYDE (Neutral, HK\$22.32), Compal (Neutral, NT\$36.55), Dell Technologies Inc. (Buy, \$418.71), Foxconn Industrial Internet (Buy, Rmb74.10), Gigabyte (Neutral, NT\$330.50), Hewlett Packard Enterprise Co. (Buy, \$48.40), Hon Hai (Buy, NT\$259.50), Huaqin Co.(A) (Buy, Rmb76.06), Huaqin Co.(H) (Buy, HK\$68.00), Inspur (Neutral, Rmb64.00), Inventec (Neutral, NT\$66.10), Mitac (Buy, NT\$85.50), Quanta (Neutral, NT\$372.50), Ruijie Networks (Buy, Rmb64.36), UNIS (Neutral, Rmb26.91), Wistron (Buy, NT\$158.50) and Wiwynn (Buy, NT\$4,675.00)

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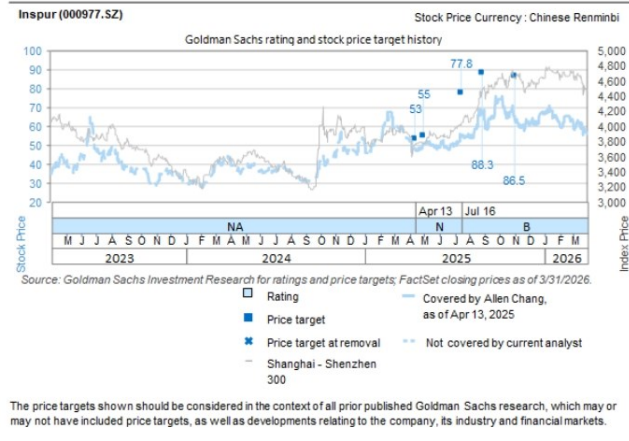
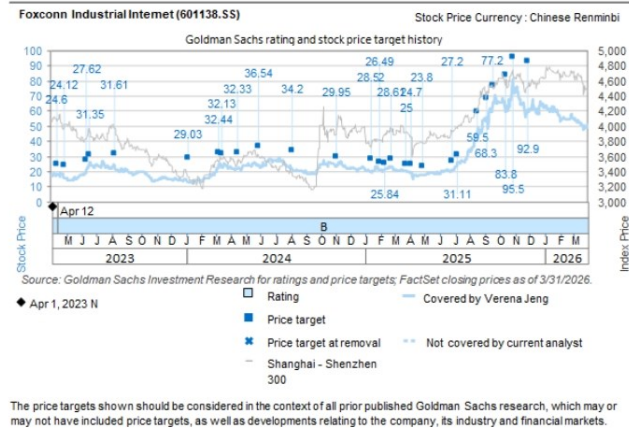
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### Price target and rating history chart(s)



### Target price history table(s)

#### Inspur (000977.SZ)

Date of report	Target price (Rmb)	Closing price (Rmb)
04-May-26	76.50	69.75
02-Nov-25	86.50	65.23
28-Aug-25	88.30	67.90
16-Jul-25	77.80	54.52
01-May-25	55.00	50.85
13-Apr-25	53.00	47.78

#### Foxconn Industrial Internet (601138.SS)

Date of report	Target price (Rmb)	Closing price (Rmb)
16-Apr-26	93.90	59.32
30-Nov-25	92.90	60.72
29-Oct-25	95.50	80.80
15-Oct-25	83.80	63.38
18-Sep-25	77.20	64.36
05-Sep-25	68.30	55.83
17-Aug-25	59.50	44.86
09-Jul-25	31.11	26.60
28-Jun-25	27.20	21.35
28-Apr-25	23.80	18.00
06-Apr-25	24.70	19.05
24-Mar-25	25.00	20.84
23-Feb-25	28.61	23.20
09-Feb-25	25.84	21.55
31-Jan-25	26.49	21.45
13-Jan-25	28.52	19.72
03-Nov-24	29.95	23.68
05-Aug-24	34.20	20.42
28-May-24	36.54	24.12
15-Apr-24	32.33	22.24
15-Mar-24	32.13	23.08
08-Mar-24	32.44	24.87
05-Jan-24	29.03	13.30
30-Oct-23	31.61	14.60
15-Aug-23	31.61	21.39
09-Aug-23	31.61	22.25
01-Aug-23	31.35	22.67

Price targets shown in table(s) are unadjusted for corporate actions.

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